



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
HOPKINS COUNTY SHERIFF**

Calendar Year 2000

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HOPKINS COUNTY SHERIFF

Calendar Year 2000

The Auditor of Public Accounts has completed the Hopkins County Sheriff's audit for calendar year 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees decreased by \$72,097 from the prior calendar year, resulting in excess fees of \$523,869 as of December 31, 2000. Revenues decreased by \$74,331 from the prior year primarily due to a change in revenue recognition by the Sheriff's office and disbursements decreased by \$2,234. In order for the Sheriff's financial statement and monthly excess fee payments to the fiscal to agree with the audit report, tax commissions of \$68,516 will be recognized in calendar year 2001.

Report Comments:

- The Sheriff Should Prepare Daily Check-Out Sheets And Make Deposits Daily
- The Sheriff Should Publish His Annual Settlement And Obtain Fiscal Court Approval

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES	3
NOTES TO FINANCIAL STATEMENT	5
COMMENTS AND RECOMMENDATIONS	9
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	13



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Richard L. Frymire, Hopkins County Judge/Executive

Honorable Gary Lee, Hopkins County Sheriff

Members of the Hopkins County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Hopkins County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2000, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated May 14, 2002, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Richard L. Frymire, County Judge/Executive
Honorable Gary Lee, Hopkins County Sheriff
Members of the Hopkins County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments.

- The Sheriff Should Prepare Daily Check-Out Sheets And Make Deposits Daily
- The Sheriff Should Publish His Annual Settlement And Obtain Fiscal Court Approval

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 14, 2002

HOPKINS COUNTY
GARY LEE, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

Receipts

State Fees For Services:

Finance and Administration Cabinet	\$	23,094
------------------------------------	----	--------

Circuit Court Clerk:

Sheriff Security Service	\$	31,306
Fines and Fees Collected		7,407
Court Ordered Payments		842
		39,555

Fiscal Court		66,366
--------------	--	--------

County Clerk - Delinquent Taxes		2,100
---------------------------------	--	-------

Commission On Taxes Collected		279,779
-------------------------------	--	---------

Fees Collected For Services:

Auto Inspections	\$	19,849
Accident and Police Reports		53
Serving Papers		38,515
		58,417

Other:

Add-on Fees	\$	60,794
Carrying Concealed Deadly Weapon Permits		21,690
Miscellaneous		2,861
Reimbursements		18,230
Prisoner Transports		10,999
Delinquent Tax from State		6,169
Advertising Fees		2,775
		123,518

Interest Earned		15,104

Total Receipts	\$	607,933
----------------	----	---------

HOPKINS COUNTY
 GARY LEE, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Disbursements

Operating Disbursements:

Contracted Services-

Carrying Concealed Deadly Weapon Permits	\$	14,570
--	----	--------

Other Charges-

Reimbursements		2,584
----------------	--	-------

Miscellaneous		544
---------------	--	-----

Total Disbursements		\$	17,698
---------------------	--	----	--------

Net Receipts		\$	590,235
--------------	--	----	---------

Less: Statutory Maximum			66,366
-------------------------	--	--	--------

Excess Fees Due County for Calendar Year 2000		\$	523,869
---	--	----	---------

Payments to County Treasurer - Monthly			523,869
--	--	--	---------

Balance Due at Completion of Audit		\$	0
------------------------------------	--	----	---

The accompanying notes are an integral part of the financial statement.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent for the first six months of the year and 7.17 percent for the last six months of the year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 17.55 percent for the first six months and 16.78 percent for the last six months of the calendar year.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2000
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Narcotics Fund

The Sheriff maintains a narcotics fund. This fund is used primarily for drug enforcement and prevention. The narcotics fund balance as of January 1, 2000, was \$1,681. Receipts consisting of drug forfeitures and interest were \$4,681 for calendar year 2000. Disbursements for drug enforcement and prevention were \$5,261 for calendar year 2000. The narcotics fund balance was \$1,101 as of December 31, 2000.

Note 5. D.A.R.E. Fund

The Hopkins County Sheriff's Drug Awareness Resistance Education (D.A.R.E.) officer maintains a D.A.R.E. fund for the promotion of drug awareness and drug prevention among local youth. The D.A.R.E. fund had a balance of \$28,090 as of January 1, 2000. Receipts for calendar year 2000 consisted of interest and Circuit Court ordered payments of \$10,457. Disbursements for D.A.R.E. supplies were \$11,793. The balance of the D.A.R.E. fund was \$26,754 as of December 31, 2000.

COMMENTS AND RECOMMENDATIONS

HOPKINS COUNTY
GARY LEE, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

Calendar Year 2000

STATE LAWS AND REGULATIONS:

1. The Sheriff Should Prepare Daily Check-Out Sheets And Make Deposits Daily

During our audit, we found that the Sheriff did not prepare daily cash check-out sheets or make deposits daily. The Sheriff was preparing weekly check out sheets and making deposits weekly. We recommend that the Sheriff comply with KRS 64.840, KRS 68.210, and TAB #93-002 Section 4, which requires that all public funds be recorded on a daily cash check-out sheet and that sheet must be reconciled to the daily deposit totals. Deposits should be made daily or when receipts exceed \$200.

County Sheriff's Response:

The Sheriff was unaware that daily deposits and check out sheets were to be made. It was not noted in previous audits that were performed and since being advised the sheriff has begun preparing daily deposits and check out sheets on a daily basis.

2. The Sheriff Should Publish His Annual Settlement And Obtain Fiscal Court Approval

During our audit, we noted that the Sheriff had not published his calendar year 2000 Annual Settlement nor did he obtain approval of his annual settlement by fiscal court. KRS 424.220 requires the Sheriff to cause the financial statement to be published in full in a newspaper within sixty days after the close of the Sheriff's fiscal year and file with the office of the County Clerk. KRS 134.310 requires the Sheriff to file annually a copy of his final settlement. We recommend the Sheriff publish his annual settlement and obtain fiscal court approval to be in compliance with KRS 424.220 and KRS 134.310.

County Sheriff's Response:

The Sheriff was not aware of this reporting requirement nor was advised of on previous audit, beginning with 2001 fee audit this has been implemented.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Richard L. Frymire, Hopkins County Judge/Executive
Honorable Gary Lee, Hopkins County Sheriff
Members of the Hopkins County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Hopkins County Sheriff for the year ended December 31, 2000, and have issued our report thereon dated May 14, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Hopkins County Sheriff's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The Sheriff Should Prepare Daily Check-Out Sheets And Make Deposits Daily
- The Sheriff Should Publish His Annual Settlement And Obtain Fiscal Court Approval

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hopkins County Sheriff internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 14, 2002

